

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2010

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussions and Analysis	3 -9
 Basic Financial Statements:	 <u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 10
Statement of Activities	B 11-14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes In Fund Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-30
 Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Fund	31
Notes to Required Supplementary Information – Budgetary Reporting	32
Schedule of Funding Progress for the Retiree Health Plan	33
	 <u>Schedule</u>
 Other Supplementary Information:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4 37-38
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	39-40
Schedule of Findings and Questioned Costs	41-43

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2009 Election)

Jan Lundahl	President	2009
Pat Evans	Board Member	2011
Scott Burgmeyer	Board Member	2011
Brad Funk	Board Member	2009
Randy Smith	Board Member	2011

Board of Education

(After September 2009 Election)

Jan Lundahl	President	2013
Amy Horton	Board Member	2013
Pat Evans	Board Member	2011
Scott Burgmeyer	Board Member	2011
Brad Funk*	Board Member	2011

School Officials

Chris Coffelt	Superintendent	Indefinite
Linda Lovett	District Secretary/Treasurer and Business Manager	Indefinite

*Appointed to fill vacancy due to resignation of Randy Smith in January 2010

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report

To the Board of Education of
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 1, 2010 on my consideration of Mormon Trail Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 9 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mormon Trail Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,789,218 in fiscal 2009 to \$2,881,251 in fiscal 2010, while General Fund expenditures decreased from \$3,016,542 in fiscal 2009 to \$2,853,805 in fiscal 2010. The District's General Fund balance increased from \$116,492 in fiscal 2009 to \$143,938 in fiscal 2010, a 24% increase.
- General Fund expenditures decreased because of several items. Energy costs for transportation and utilities were much lower. There was a reduction in staff and an emphasis to cut spending in every area.
- A decrease in interest rates and investable balance during the past year resulted in interest earnings in the General Fund decreasing from \$5,348 in fiscal 2009 to \$579 in fiscal 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mormon Trail Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mormon Trail Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 2,597	\$ 2,887	\$ 43	\$ 47	\$ 2,640	\$ 2,934	-10.02%
Capital assets	1,822	1,897	24	25	1,846	1,922	-3.95%
Total assets	4,419	4,784	67	72	4,486	4,856	-7.62%
Long-term liabilities	416	535	-	-	416	535	-22.24%
Other liabilities	1,956	2,165	1	1	1,957	2,166	-9.65%
Total liabilities	2,372	2,700	1	1	2,373	2,701	-12.14%
Net assets:							
Invested in capital assets, net of related debt	1,275	1,222	24	25	1,299	1,247	4.17%
Restricted	671	760	-	-	671	760	-11.71%
Unrestricted	101	102	42	46	143	148	-3.38%
Total net assets	2,047	2,084	66	71	2,113	2,155	-1.95%

The District's combined net assets decreased by nearly 2% or approximately \$42,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$89,000 over the prior year. The decrease was primarily a result of increased spending in Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$5,000. This reduction in unrestricted net assets was a result of the District using carryover fund balances to meet its financial obligations during the year. The 2010 reduction of \$5,000 was far less than the 2009 reduction of \$193,000.

Figure A-2 shows the change in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-2
Changes in Net Assets
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 124	72	56	50	180	122	47.54%
Operating grants, contributions and restricted interest	684	594	79	87	763	681	12.04%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,060	1,005	-	-	1,060	1,005	5.47%
Income surtax	113	110	-	-	113	110	2.73%
Local option sales and service tax	160	157	-	-	160	157	1.91%
Unrestricted intermediate grants	7	-	-	-	7	-	-
Unrestricted state grants	1,027	1,113	-	-	1,027	1,113	-7.73%
Unrestricted investment earnings	2	16	-	-	2	16	-87.50%
Other	31	84	-	-	31	84	-63.10%
Total revenues	3,208	3,151	135	137	3,343	3,288	1.67%
Program expenses:							
Governmental activities:							
Instruction	2,025	2,132	-	-	2,025	2,132	-5.02%
Support services	936	1,059	-	-	936	1,059	-11.61%
Non-instructional programs	-	-	140	137	140	137	2.19%
Other expenses	284	223	-	-	284	223	27.35%
Total expenses	3,245	3,414	140	137	3,385	3,551	-4.67%
Change in net assets	(37)	(263)	(5)	-	(42)	(263)	-84.03%

In fiscal 2010, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.343 million of which \$3.208 million was for governmental activities and \$135,000 was for business type activities

As shown in Figure A-2 the District as a whole experienced a 1.67% increase in revenues and a 4.67% decrease in spending. General Fund revenues increased in total despite a 10% across the board cut in state foundation aid. The fiscal year 2010 increase in General Fund revenues was attributable to increases in property tax, tuition changes and federal grant revenue. The decrease in expenditure was due to lower energy costs for transportation and utilities, reduction in staff, and an emphasis to cut spending.

Governmental Activities

Revenues for governmental activities were \$3,207,637 and expenses were \$3,244,915 for the year ended June 30, 2010. In a difficult budget year, the District was not able to balance the budget.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 2,025	2,132	-5.02%	\$ 1,433	1,644	-12.83%
Support services	936	1,059	-11.61%	837	986	-15.11%
Non-instruction	-	-	-	-	-	-
Other expenses	284	223	27.35%	167	118	41.53%
Total	3,245	3,414	-4.95%	2,437	2,748	-11.32%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$123,752.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$684,358.
- The net cost of governmental activities was financed with \$1,332,550 in property and other taxes and \$1,026,457 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$135,297 representing a 1% decrease over the prior year, while expenses totaled \$140,352 a 2% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District's food costs increased as the district complied with new nutrition requirements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mormon Trail Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$777,807 below last year's ending fund balances of \$861,914. The primary reason for the decrease in combined fund balance is due to increased expenditures in the Capital Projects Fund and Physical Plant and Equipment Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Increased property taxes and federal grants did offset the decrease in state grants resulting in an increase in revenues. Decreased General Fund expenditures were the result of an emphasis to reduce spending and decreased energy cost.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$192,397 in fiscal 2009 to \$137,630 in fiscal 2010. Bus leases of \$42,000 and facility upgrades of \$51,000 were paid from this fund.
- The Capital Projects Fund balance decreased from \$454,645 in fiscal 2009 to \$386,178 in fiscal 2010. \$140,741 was transferred to Debt Service for bond repayments. In fiscal 2010, \$87,560 for a roof replacement was paid from this account.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$70,948 at June 30, 2009 to \$65,913 at June 30, 2010, representing a decrease of approximately 7.1%. Food costs increased to comply with new nutrition requirements.

BUDGETARY HIGHLIGHTS

The District's receipts were \$313,511 less than budgeted receipts. The most significant variance resulted from the District receiving less state aid than originally anticipated. This decrease was not offset by an increase in federal aid.

Total expenditures were more than budgeted due to GO Bond refunding. The original budget was prepared in March 2009 for the 2009-2010 fiscal year. It was not anticipated that interest rates would drop enough to make it feasible to refund the GO Bonds with interest rates of 1.1%-2.75%. The refunding was completed in November 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1.846 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 3.95% from last year. More detailed information about the District's capital assets presented in Note 5 to the financial statements. Depreciation expense for the year was \$81,459.

The original cost of the District's capital assets was \$3.65 million. Governmental funds account for \$3.58 million, with the remainder of \$70,000 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 16	16	-	-	16	16	-
Buildings	1,778	1,833	-	-	1,778	1,833	-3.00%
Furniture and equipment	28	48	24	25	52	73	-28.77%
Total	1,822	1,897	24	25	1,846	1,922	-3.95%

Long-Term Debt

At June 30, 2010, the District had \$545,000 in general obligation debt outstanding. This represents a decrease of approximately 19% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amounts of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.5 million.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has increased the property tax levy to 16.7923 for fiscal year 2010 and expects to receive approximately \$180,000 more in property tax revenue.
- The District will not replace staff that has resigned saving approximately \$46,000.
- The District has discontinued sharing an Industrial Arts instructor saving approximately \$31,000.
- The District has entered into a sharing agreement with Lineville-Clio School District. Approximately 15 secondary students will be attending classes in the District, increasing tuition revenue, \$52,000.
- District secondary students are attending classes at Central Decatur at an expected cost of \$25,000.
- The negotiated settlement with Mormon Trail Education Teacher's Association of 2.24% for fiscal year 2011 exceeds any "new money" in state funding. This will have an adverse effect on the District's General Fund budget.
- The excessive moisture the past few years has caused structural problems in the District's facilities. The District needs to repair a gym wall, purchase equipment to remove moisture and tile school grounds. The District has applied for disaster funds for these projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Lovett, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa 50123.

Basic Financial Statements

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,058,962	\$ 41,863	\$ 1,100,825
Receivables:			
Property tax:			
Delinquent	25,082	-	25,082
Succeeding year	1,255,991	-	1,255,991
Income surtax succeeding year	109,650	-	109,650
Due from other governments	147,043	-	147,043
Inventories		1,109	1,109
Capital assets, net of accumulated depreciation (note 5)	1,822,132	23,923	1,846,055
Total assets	4,418,860	66,895	4,485,755
Liabilities			
Accounts payable	174,300	-	174,300
Salaries and benefits payable	230,731	-	230,731
Accrued interest payable	1,879	-	1,879
Deferred revenue:			
Succeeding year property tax	1,255,991	-	1,255,991
Succeeding year income surtax	109,650	-	109,650
Other	48,249	982	49,231
Long-term liabilities (note 6)			
Portion due within one year:			
Bonds payable	135,000	-	135,000
Portion due after one year:			
Bonds payable	410,000	-	410,000
Net OPEB liability	6,000	-	6,000
Total liabilities	2,371,800	982	2,372,782
Net assets			
Invested in capital assets, net of related debt	1,275,253	23,923	1,299,176
Restricted for:			
Management levy	46,360	-	46,360
Debt service	5,511	-	5,511
Physical plant and equipment levy	137,630	-	137,630
Capital projects	386,718	-	386,718
Other special revenue purposes	57,650	-	57,650
Categorical funding	22,007	-	22,007
Other	15,158	-	15,158
Unrestricted	100,773	41,990	142,763
Total net assets	2,047,060	65,913	2,112,973

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

		<u>Program Revenues</u>	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,113,458	\$ 45,471	\$ 330,809
Special instruction	467,555	52,031	133,705
Other instruction	443,882	-	30,361
	<u>2,024,895</u>	<u>97,502</u>	<u>494,875</u>
Support Service:			
Student services	80,022	26,250	57,958
Instructional staff services	124,648	-	9,685
Administration services	283,997	-	1,546
Operating and maintenance of plant services	270,264	-	3,388
Transportation services	177,017	-	200
	<u>935,948</u>	<u>26,250</u>	<u>72,777</u>
Non-instructional programs			
	-	-	-
Other expenditures:			
Facilities acquisition	147,771	-	-
Long-term debt interest	19,595	-	-
AEA flowthrough	116,706	-	116,706
	<u>284,072</u>	<u>-</u>	<u>116,706</u>
Total governmental activities	3,244,915	123,752	684,358
Business type activities:			
Non-instructional programs:			
Nutrition services	140,332	56,603	78,628
	<u>140,332</u>	<u>56,603</u>	<u>78,628</u>
Total primary government	3,385,247	180,355	762,986

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total	
\$ -	\$ (737,178)	\$ -	\$ (737,178)	
-	(281,819)	-	(281,819)	
-	(413,521)	-	(413,521)	
-	(1,432,518)	-	(1,432,518)	
-	4,186	-	4,186	
-	(114,963)	-	(114,963)	
-	(282,451)	-	(282,451)	
-	(266,876)	-	(266,876)	
-	(176,817)	-	(176,817)	
-	(836,921)	-	(836,921)	
-	-	-	-	
-	(147,771)	-	(147,771)	
-	(19,595)	-	(19,595)	
-	-	-	-	
-	(167,366)	-	(167,366)	
-	(2,436,805)	-	(2,436,805)	
-	-	(5,101)	(5,101)	
-	-	(5,101)	(5,101)	
-	(2,436,805)	(5,101)	(2,441,906)	

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Continued from previous page			
General Revenues:			
Totals from pages 11 and 12	\$ 3,385,247	\$ 180,355	\$ 762,986
Property tax levied for:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales and services tax			
Unrestricted intermediate grants			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<u>\$ -</u>	<u>\$ (2,436,805)</u>	<u>\$ (5,101)</u>	<u>\$ (2,441,906)</u>
	989,552	-	989,552
	70,472	-	70,472
	112,844	-	112,844
	159,682	-	159,682
	7,167	-	7,167
	1,026,457	-	1,026,457
	2,469	66	2,535
	30,884	-	30,884
	<u>2,399,527</u>	<u>66</u>	<u>2,399,593</u>
	(37,278)	(5,035)	(42,313)
	<u>2,084,338</u>	<u>70,948</u>	<u>2,155,286</u>
	<u>2,047,060</u>	<u>65,913</u>	<u>2,112,973</u>

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets and Other Debits					
Cash and pooled investments	\$ 494,055	\$ 5,511	\$ 319,820	\$ 239,576	\$ 1,058,962
Receivables:					
Property tax:					
Current year delinquent	22,568	-	-	2,514	25,082
Succeeding year	1,165,033	-	-	90,958	1,255,991
Income surtax succeeding year	109,650	-	-	-	109,650
Due from other governments	80,145	-	66,898	-	147,043
Total assets and other debits	1,871,451	5,511	386,718	333,048	2,596,728
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	173,850	-	-	450	174,300
Salaries and benefits payable	230,731	-	-	-	230,731
Other liabilities	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	1,165,033	-	-	90,958	1,255,991
Succeeding year income surtax	109,650	-	-	-	109,650
Other	48,249	-	-	-	48,249
Total liabilities	1,727,513	-	-	91,408	1,818,921
Fund balances:					
Reserved for:					
Debt service	-	5,511	-	-	5,511
Categorical funding	22,007	-	-	-	22,007
Other	15,158	-	-	-	15,158
Unreserved					
General fund	106,773	-	-	-	106,773
Special revenue funds	-	-	-	241,640	241,640
Capital projects funds	-	-	386,718	-	386,718
Total fund balances	143,938	5,511	386,718	241,640	777,807
Total liabilities and fund balances	1,871,451	5,511	386,718	333,048	2,596,728

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances of governmental funds (pg. 15)

Amounts reported for governmental activities in the statement of net assets are different because: 777,807

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,822,132

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (1,879)

Long-term liabilities, including bonds payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (551,000)

Net assets of governmental activities (pg. 10) \$ 2,047,060

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 1,066,463	\$ -	\$ 159,862	\$ 106,225	\$ 1,332,550
Tuition	55,858	-	-	-	55,858
Other	45,806	720	512	59,067	106,105
Intermediate	32,787	-	-	-	32,787
State sources	1,387,046	-	-	-	1,387,046
Federal sources	286,210	-	-	-	286,210
Total revenues	2,874,170	720	160,374	165,292	3,200,556
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,109,628	-	-	-	1,109,628
Special instruction	467,555	-	-	-	467,555
Other instruction	395,480	-	-	48,402	443,882
	1,972,663	-	-	48,402	2,021,065
Support services:					
Student services	74,425	-	-	-	74,425
Instructional staff services	124,648	-	-	-	124,648
Administration services	248,609	15,507	-	13,881	277,997
Operation and maintenance of plant services	194,887	-	-	20,179	215,066
Transportation services	121,867	-	-	44,533	166,400
	764,436	15,507	-	78,593	858,536
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	87,560	60,211	147,771
Long-term debt:					
Principal	-	799,267	-	-	799,267
Interest and fiscal charges	-	23,399	-	-	23,399
AEA flowthrough	116,706	-	-	-	116,706
	116,706	822,666	87,560	60,211	1,087,143
Total expenditures	2,853,805	838,173	87,560	187,206	3,966,744
Excess (deficiency) of revenues over (under) expenditures	20,365	(837,453)	72,814	(21,914)	(766,188)
Other financing sources:					
Interfund transfers	-	156,046	(140,741)	(15,305)	-
GO bond refunding	-	675,000	-	-	675,000
Equipment sales	7,081	-	-	-	7,081
Total other financing sources	7,081	831,046	(140,741)	(15,305)	682,081
Net change in fund balances	27,446	(6,407)	(67,927)	(37,219)	(84,107)
Fund balances beginning of year	116,492	11,918	454,645	278,859	861,914
Fund balances end of year	143,938	5,511	386,718	241,640	777,807
See notes to financial statements.					

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds (pg. 17)

Amounts reported for governmental activities in the statement of activities are different because: (84,107)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	-	
Depreciation	<u>(75,242)</u>	(75,242)

Proceeds from issuing long-term liabilities provide current financial resources, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as

Issued	(675,000)	
Repaid	<u>799,267</u>	124,267

Interest on long-term debt in the Statement of Activities from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due. 3,804

Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

	<u>(6,000)</u>
	<u>\$ (37,278)</u>

Change in net assets of governmental activities (pg. 14)

See notes to financial statements.

MORMONTRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 41,863
Accounts receivable	-
Inventories	1,109
Capital assets, net of accumulated depreciation	<u>23,923</u>
Total assets	<u>66,895</u>
Liabilities	
Salaries and benefits payable	-
Other liabilities	<u>982</u>
Total liabilities	<u>982</u>
Net Assets	
Invested in capital assets, net of related debt	23,923
Unrestricted	<u>41,990</u>
Total net assets	<u>\$ 65,913</u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	\$ 56,603
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	49,170
Benefits	6,634
Purchased services	10,247
Supplies	68,064
Other	0
Depreciation	6,217
Total operating expenses	<u>140,332</u>
Operating loss	<u>(83,729)</u>
Non-operating revenues:	
State sources	1,372
Federal sources	77,256
Local sources	66
Total non-operating revenues	<u>78,694</u>
Changes in net assets	(5,035)
Net assets beginning of year	<u>70,948</u>
Net assets end of year	<u><u>\$ 65,913</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of meals	\$ 56,339
Cash payments to employees for services	(55,804)
Cash payments to suppliers for goods or services	(67,919)
Net cash used by operating activities	<u>(67,384)</u>
Cash flows from non-capital financing activities:	
State grants received	1,372
Federal grants received	69,369
Net cash provided by non-capital financing activities	<u>70,741</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,763)</u>
Cash flows from investing activities:	
Interest on investments	<u>66</u>
Net decrease in cash and cash equivalents	(1,340)
Cash and cash equivalents at beginning of year	<u>43,203</u>
Cash and cash equivalents at end of year	<u>41,863</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	
Adjustments to reconcile operating loss to	
net cash provided (used) by operating activities:	(83,729)
Commodities used	7,887
Depreciation	6,217
Decrease in inventory	2,505
Decrease in deferred revenue	(264)
Net cash used by operating activities	<u><u>(67,384)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$7,887

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mormon Trail Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mormon Trail Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Improvements other than buildings	20-40 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During year ended June 30, 2010, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$581,003, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail for interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$140,741
Debt Service	PPEL	<u>15,305</u>
		<u>156,046</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrant. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.5%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/30/10	\$ -	\$140,000	\$140,000	\$ -
2009-10B	1/21/10	2/1/11	-	100,000	100,000	-
Total			-	240,000	240,000	-

During the year ended June 30, 2010, the District paid \$114 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,220	-	-	16,220
Total capital assets not being depreciated	16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,770,260	-	-	2,770,260
Improvements other than buildings	-	-	-	-
Furniture and equipment	797,215	-	8,900	788,315
Total capital assets being depreciated	3,567,475	-	8,900	3,558,575
Less accumulated depreciation for:				
Buildings	937,535	55,198	-	992,733
Improvements other than buildings	-	-	-	-
Furniture and equipment	748,786	20,044	8,900	759,930
Total accumulated depreciation	1,686,321	75,242	8,900	1,752,663
Total capital assets being depreciated, net	1,881,154	(75,242)	-	1,805,912
Governmental activities capital assets, net	1,897,374	(75,242)	-	1,822,132
Business type activities:				
Furniture and equipment	149,073	4,763	81,764	72,072
Less accumulated depreciation	(123,696)	(6,217)	(81,764)	(48,149)
Business type activities capital assets, net	25,377	(1,454)	-	23,923

Depreciation expense was charged to the following functions:

Instruction:	
Regular	3,830
Support services:	
Instruction	5,597
Operation and maintenance	55,198
Transportation	10,617
	<hr/>
Total depreciation expense - governmental activities	75,242
	<hr/>
Business type activities:	
Food service operations	\$ 6,217
	<hr/>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 655,000	675,000	785,000	545,000	135,000
Lease/purchase financing	14,267	-	14,267	-	
Net OPEB liability	-	6,000	-	6,000	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 669,267	681,000	799,267	551,000	135,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	1.35%	135,000	11,275	146,275
2012	1.80%	135,000	9,453	144,453
2013	2.35%	135,000	7,022	142,022
2014	2.75%	140,000	3,850	143,850
		<hr/>	<hr/>	<hr/>
Total		545,000	31,600	576,600
		<hr/>	<hr/>	<hr/>

Capital Lease Financing

The District entered into capital lease financing with Apple, Inc. at 2.9% for the purchase of computers. Payment of the capital lease is made from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital lease financing are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.90%	\$14,267	1,038	\$15,305

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$161,265, \$153,009 and \$125,191, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 31 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statements No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$ 14,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	11,000
Annual OPEB cost	26,000
Contributions made	(20,000)
Increase in net OPEB obligation	6,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	6,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$185,845 to the medical plan. Plan members eligible for benefits contributed \$33,321 or 15% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$26,000	76.92%	\$6,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$280,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,108,000 and the ratio of the UAAL to covered payroll was 25.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions- Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employers and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date the unit credit actuarial costs method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

(9) Risk Management

Mormon Trail Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$116,706 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

Required Supplementary Information

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amount Original	Variance Favorable (Unfavorable)
Revenues:					
Local sources	\$ 1,494,513	\$ 56,669	\$ 1,551,182	\$ 1,621,395	\$ (70,213)
Intermediate sources	32,787	-	32,787	25,000	7,787
State sources	1,387,046	1,372	1,388,418	1,757,488	(369,070)
Federal sources	286,210	77,256	363,466	245,481	117,985
Total revenues	3,200,556	135,297	3,335,853	3,649,364	(313,511)
Expenditures:					
Instruction	2,021,065	-	2,021,065	2,310,330	289,265
Support services	858,536	-	858,536	1,083,500	224,964
Non-instructional programs	-	140,332	140,332	185,475	45,143
Other expenditures	1,087,143	-	1,087,143	314,756	(772,387)
Total expenditures	3,966,744	140,332	4,107,076	3,894,061	(213,015)
Excess (deficiency) of revenues over (under) expenditures	(766,188)	(5,035)	(771,223)	(244,697)	(526,526)
Other financing sources	682,081	-	682,081	-	682,081
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(84,107)	(5,035)	(89,142)	(244,697)	155,555
Balances beginning of year	861,914	70,948	932,862	907,401	25,461
Balances end of year	777,807	65,913	843,720	662,704	181,016

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010 expenditures in the other expenditure area exceeded the amount budgeted.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$280,000	\$280,000	0.0%	\$1,108,074	25.26%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 45,514	\$ 57,650	\$ 136,412	\$ 239,576
Receivables:				
Property tax:				
Current year delinquent	846	-	1,668	2,514
Succeeding year	20,000	-	70,958	90,958
Total assets	66,360	57,650	209,038	333,048
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	450	450
Deferred revenue:				
Succeeding year property tax	20,000	-	70,958	90,958
Total liabilities	20,000	-	71,408	91,408
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	46,360	57,650	137,630	241,640
Total liabilities and fund equity	66,360	57,650	209,038	333,048

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2010

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 35,753	\$ -	\$ 70,472	\$ 106,225
Other	8,058	50,497	512	59,067
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	43,811	50,497	70,984	165,292
Expenditures:				
Current				
Instruction:				
Other instruction	532	47,870	-	48,402
Support services:				
Instruction	-	-	-	-
Administrative support	10,745	-	3,136	13,881
Plant operation	15,080	-	5,099	20,179
Student transportation	2,533	-	42,000	44,533
Other expenditures:				
Facilities acquisition	-	-	60,211	60,211
Total expenditures	28,890	47,870	110,446	187,206
Excess of revenues over expenditures	14,921	2,627	(39,462)	(21,914)
Other financing sources:				
Transfer out	-	-	(15,305)	(15,305)
Fund balance beginning of year	31,439	55,023	192,397	278,859
Fund balance end of year	46,360	57,650	137,630	241,640

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 16,174	\$ 15,780	\$ 16,916	\$ 15,038
Activites Club	1,941	-	-	1,941
Science Club	-	85	-	85
FBLA Club	-	1,044	640	404
Drama/Play	3,586	1,091	489	4,188
Cheerleaders	10	-	-	10
Flags	314	-	-	314
FCCLA	934	5,153	5,189	898
FFA	291	181	58	414
Band/Chorus	1,480	-	-	1,480
JR/SR Incentive	14,875	6,851	4,651	17,075
Elementary Activities	7,077	4,329	4,844	6,562
Class of 2007	397	-	397	-
Class of 2008	842	-	842	-
Class of 2010	2,057	655	2,597	115
Class of 2011	4,665	6,532	7,234	3,963
Class of 2012	380	5,419	2,543	3,256
Class of 2013	-	3,377	1,470	1,907
Totals	55,023	50,497	47,870	57,650

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 1,332,550	\$ 1,271,955	\$ 1,245,963	\$ 1,241,798
Tuition	55,858	39,173	56,670	70,019
Other	106,105	132,556	175,949	184,842
Intermediate sources	32,787	33,732	22,931	26,421
State sources	1,387,046	1,494,200	1,656,170	1,464,411
Federal sources	286,210	179,357	114,103	172,366
Total	3,200,556	3,150,973	3,271,786	3,159,857
Expenditures:				
Instruction:				
Regular instruction	1,109,628	1,152,300	1,205,503	1,105,545
Special instruction	467,555	491,219	488,687	389,476
Other instruction	443,882	465,766	238,906	360,899
Support services:				
Student services	74,425	81,412	79,573	141,933
Instructional staff services	124,648	182,662	138,762	113,490
Administration services	277,997	268,503	315,970	252,910
Operation and maintenance of plant services	215,066	272,919	274,443	235,696
Transportation services	166,400	183,269	208,698	248,492
Central support	-	-	-	-
Non-instructional programs	-	-	1,863	-
Other expenditures:				
Facilities acquisition	147,771	82,989	-	-
Long-term debt				
Principal	799,267	133,300	115,000	105,000
Interest and other charges	23,399	36,532	39,130	48,482
AEA flowthrough	116,706	105,371	103,270	92,955
Total	3,966,744	3,456,242	3,209,805	3,094,878

See accompanying independent auditor's report.

2006	2005	2004	2003	2002	2001
\$1,242,170	\$ 1,242,170	\$ 1,151,258	\$ 1,189,214	\$ 1,017,701	\$ 1,024,422
50,896	50,896	58,020	85,818	76,066	71,467
146,636	146,636	137,231	128,204	128,842	176,440
68,382	68,382	92,639	62,147	72,355	66,301
1,533,905	1,533,905	1,332,111	1,280,173	1,376,567	1,437,142
160,886	160,886	152,784	151,981	84,733	127,614
3,202,875	3,202,875	2,924,043	2,897,537	2,756,264	2,903,386
1,150,088	1,150,088	1,138,634	1,110,084	1,149,570	1,051,218
460,637	460,637	401,718	383,664	357,681	394,387
174,357	174,357	234,833	220,908	259,211	247,760
146,071	146,071	134,518	132,075	134,218	134,489
58,777	58,777	71,798	83,543	39,527	38,463
280,664	280,664	339,907	302,009	289,468	262,031
212,266	212,266	254,451	176,355	188,983	191,636
179,478	179,478	167,915	160,288	189,115	210,854
-	-	-	32,982	27,975	24,703
653	653	-	-	-	-
2,260	2,260	-	26,264	136,635	124,043
100,000	100,000	85,000	80,000	70,000	70,000
52,783	52,783	74,724	80,192	85,090	89,764
94,462	94,462	89,860	94,660	95,978	101,418
2,912,496	2,912,496	2,993,358	2,883,024	3,023,451	2,940,766

Stephanie Mendenhall CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 1, 2010. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mormon Trail Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the internal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mormon Trail Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mormon Trail Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mormon Trail Community School District and other parties to whom Mormon Trail Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

October 1, 2010

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-10 Purchase Order – A purchase order was not prepared for the annual order of janitorial supplies.

Recommendation – Purchase orders help to insure that there is proper authorization for the purchase and the quantity and prices stated in the purchase order is what is reflected in the billing invoice.

Response – We have discussed the need for purchase orders with the individual in charge of plant operation and maintenance.

Conclusion – Response accepted.

II-C-10 Employment Contracts- In review of employment contracts, there was one contract not signed. The contract for the Jr-High volleyball coach could not be located.

Recommendation – An annual review of employment contracts should be done at the beginning of the school year as the payroll system is updated. Signed employment contracts are the basis for the monthly payroll calculations.

Response – A contract signed by the Board President was issued to an employee. The employee lost the contract and a new contract was faxed to the employee for signature. When the contract was returned it was an oversight in failing to have the Board President sign the contract. We have the junior high volleyball contract for 2008-2009 and 2010-2011, but cannot locate the 2009-2010 contract. The same individual has been the coach each year at the same pay. In the future we will make sure we have completed contracts on all employees.

Conclusion- Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the certified budget amount in the other expenditure function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response- Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.

IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-10 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$454,645
Statewide sales, services and use tax		149,862
Other receipts		512
Expenditures/transfers out:		
School infrastructure:		
Other improvements	\$ 87,560	
Debt service for school infrastructure:		
General obligation debt	<u>140,741</u>	
		<u>(228,301)</u>
Ending balance		<u>386,718</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	\$1.98343	\$140,741
Physical plant and equipment levy	1.23396	87,560